

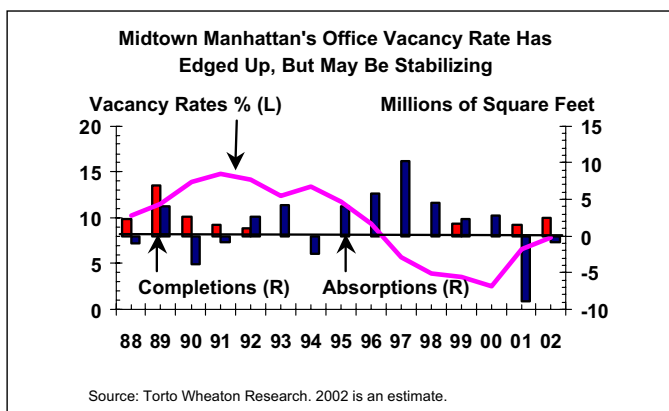
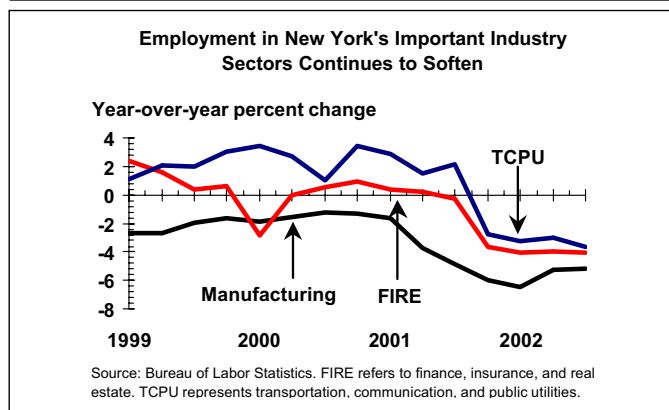
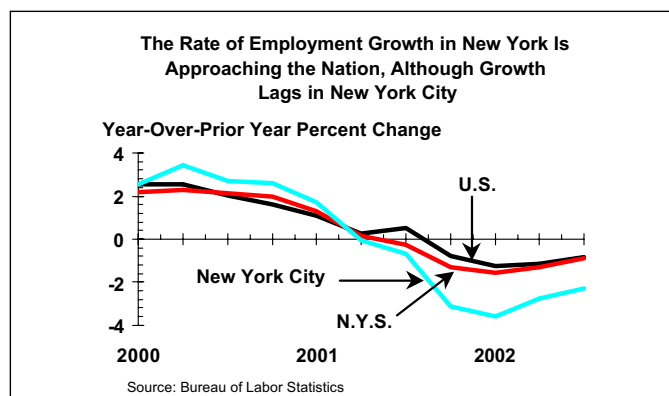
FDIC State Profile

WINTER 2002

New York

Employment growth in New York lagged the nation during the past two years, but now closely tracks the national average. Job contraction in New York City, however, continues to significantly exceed the state and nation.

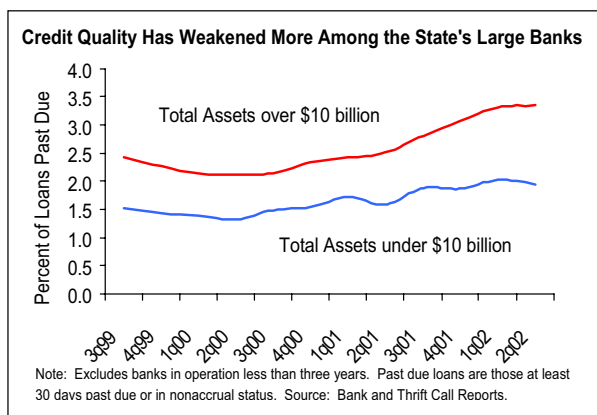
- After slightly trailing the nation, the rate of job losses in the state matches improvement in the national economy (see **top chart**).
- **New York City's** rate of job losses, while easing, continues to substantially exceed the state and nation (see **top chart**). Significant layoffs in the securities industry, which generally pays higher average salaries than other sectors (\$252,000 in 2001, compared with \$46,600 for non-securities industries) has impaired the city's economy. Moreover, Wall Street bonuses, are estimated to decline by at least 25 percent in 2002, following a 30 percent drop in 2001.
- The state's manufacturing sector has been contracting for decades as firms have relocated to lower cost areas outside the state. Manufacturing job losses increased sharply as the nation's recession intensified (see **middle chart**). The economies of Western and Central New York, particularly **Buffalo, Rochester, and Syracuse**, depend more on manufacturing industries and have experienced a higher percentage of job losses.
- Losses in the state's transportation, communication and public utilities (TCPU) sector primarily reflect continued softness in the airline and tourism industries. Revenue per available room (RevPar) in New York City has been significantly down since the fourth quarter 2000 peak. RevPar declines in New York City have exceeded the national average because of greater exposure to business travel, which has been adversely affected by the recession.
- Office vacancy rates in Midtown Manhattan have edged up while demand sharply declined in 2001 (see **bottom chart**). The consensus among analysts, however, is that Midtown remains a strong market relative to national trends. The Midtown market reported a 7.6 percent office vacancy rate in third quarter 2002, well below the 16.1 percent national average. However, the Downtown Manhattan market suffers from uncertainties following 9/11. Office vacancy rates were 12.8 percent in third quarter 2002, with many companies considering leaving the area.
- Single-family home prices have appreciated at double-digit rates for the past two years in Nassau, Suffolk and Dutchess Counties. Although a "housing bubble" similar to the



1980s experience is not likely, home prices may be at risk if interest rates rise or if the economy severely weakens.

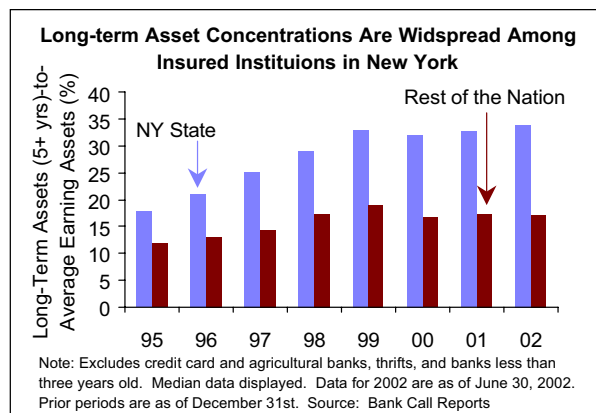
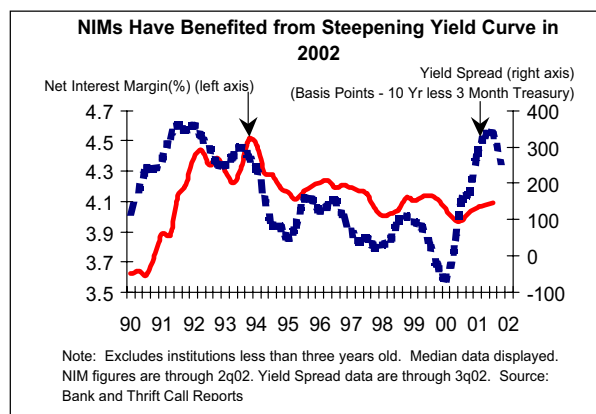
Credit quality weakened moderately during this economic downturn, but may be stabilizing for most insured institutions headquartered in New York.¹ However, the state's large banks continue to report weakness, due in large part to deterioration in the corporate lending sector.

- The state's large insured institutions, those with total assets of at least \$10 billion, reported continued credit quality weakening through second quarter 2002 (see **top chart**).
- Additionally, according to earnings reports, large banks reported continued credit quality concerns in the third quarter, most notably those with exposure to the telecommunications industry and Argentina.
- As credit quality generally lags the business cycle, loan performance likely will remain an issue in coming quarters even if the economic recovery strengthens.



Widening net interest margins (NIMs) helped boost profitability for most of New York's insured institutions over the past year, but margin improvement may be limited in coming quarters.

- The median NIM widened following steepening in the Treasury yield curve that occurred in 2001 and the first half of 2002 (see **middle chart**). Significant reduction in short-term interest rates helped lower banks' funding costs and more than offset the decline in asset yields that reflected the decline in long-term rates. Margin improvement was most widespread among residential mortgage lenders, reflective of the generally higher concentrations of long-term assets.
- During third quarter 2002, however, the yield curve flattened as long-term interest rates neared historic lows and short-term interest rates stabilized, trends that could limit margin improvement in coming quarters.
- Historically low long-term interest rates have contributed to record refinancing levels nationally, as consumers have locked in long-term, fixed-rate residential mortgage loans. Asset maturities have lengthened on average, while liability maturities have remained short.
- New York's median ratio of long-term assets-to-average earning assets remains above that of the rest of the nation (see **bottom chart**). A higher concentration of residential mortgage lenders and more widespread popularity of long-term mortgage products in metropolitan areas of the Northeast, compared with the rest of the nation, contributed to the higher ratio.



¹ Data is as of June 30, 2002 unless otherwise noted.

New York at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98
Institutions (#)	213	224	234	241	247
Total Assets (in thousands)	1,554,177,741	1,511,210,163	1,328,668,765	1,252,737,310	1,289,692,324
New Institutions (# <3 years)	11	15	14	9	7
New Institutions (# <9 years)	24	22	19	18	15
Capital					
Tier 1 Leverage (median)	8.74	8.79	9.17	9.31	9.38
Asset Quality					
Past-Due and Nonaccrual (median %)	1.58%	1.67%	1.56%	1.72%	2.15%
Past-Due and Nonaccrual \geq 5%	21	16	16	24	31
ALLL/Total Loans (median %)	1.13%	1.06%	1.05%	1.15%	1.25%
ALLL/Noncurrent Loans (median multiple)	1.67	1.68	1.79	1.39	1.23
Net Loan Losses/Loans (aggregate)	1.18%	0.50%	0.39%	0.47%	0.42%
Earnings					
Unprofitable Institutions (#)	16	19	16	16	13
Percent Unprofitable	7.51%	8.48%	6.84%	6.64%	5.26%
Return on Assets (median %)	0.95	0.87	0.93	0.96	0.93
25th Percentile	0.60	0.52	0.63	0.59	0.66
Net Interest Margin (median %)	4.04%	3.92%	4.16%	4.02%	4.14%
Yield on Earning Assets (median)	6.54%	7.59%	7.70%	7.36%	7.76%
Cost of Funding Earning Assets (median)	2.28%	3.75%	3.63%	3.31%	3.69%
Provisions to Avg. Assets (median)	0.11%	0.10%	0.09%	0.09%	0.10%
Noninterest Income to Avg. Assets (median)	0.63%	0.61%	0.58%	0.55%	0.53%
Overhead to Avg. Assets (median)	2.87%	2.86%	2.89%	2.94%	2.90%
Liquidity/Sensitivity					
Loans to Deposits (median %)	70.77%	73.96%	73.91%	70.31%	69.18%
Loans to Assets (median %)	58.42%	59.90%	60.79%	58.23%	58.39%
Brokered Deposits (# of Institutions)	52	56	52	48	41
Bro. Deps./Assets (median for above inst.)	2.58%	1.39%	1.86%	2.57%	3.30%
Noncore Funding to Assets (median)	17.36%	20.23%	18.65%	16.02%	14.26%
Core Funding to Assets (median)	69.87%	67.35%	68.71%	69.93%	72.58%
Bank Class					
State Nonmember	58	60	59	62	61
National	57	60	63	64	64
State Member	22	25	27	27	27
S&L	22	23	25	28	29
Savings Bank	22	22	25	24	29
Mutually Insured	32	34	35	36	37
MSA Distribution					
	# of Inst.	Assets	% Inst.	% Assets	
New York NY PMSA	89	1,332,083,122	41.78%	85.71%	
No MSA	46	17,999,972	21.60%	1.16%	
Syracuse NY	12	3,645,714	5.63%	0.23%	
Rochester NY	12	23,629,050	5.63%	1.52%	
Nassau-Suffolk NY PMSA	11	43,369,671	5.16%	2.79%	
Albany-Schenectady-Troy NY	11	5,807,115	5.16%	0.37%	
Buffalo-Niagara Falls NY	8	118,064,997	3.76%	7.60%	
Newburgh NY-PA PMSA	7	1,568,471	3.29%	0.10%	
Utica-Rome NY	5	2,451,073	2.35%	0.16%	
Dutchess County NY PMSA	4	530,946	1.88%	0.03%	
Elmira NY	3	1,232,891	1.41%	0.08%	
Jamestown NY	2	488,191	0.94%	0.03%	
Binghamton NY	2	2,255,396	0.94%	0.15%	
Glens Falls NY	1	1,051,132	0.47%	0.07%	